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Astral Media

Quarterly Report 1

ASTRAL MEDIA STARTS FISCAL 2010 WITH ROBUST FIRST QUARTER RESULTS

3% revenue growth and 28% increase in EBITDA[1, 3, 4]
42% increase in net earnings[2, 3, 4] and 41% increase in EPS (basic)[2, 3, 4]
(22% and 21% respectively, excluding the reversal of Part II fees in Fiscal 2010)[2, 4]

Montréal, January 14, 2010

Astral Media Inc. (TSX: ACM.A/ACM.B) today reported robust financial results for the quarter ended November 30, 2009, which saw continued growth in revenues, EBITDA[1], net earnings, EPS, and cash flow from operations[4, 5].

Consolidated revenues totalled $250.7 million for the first quarter, an increase of 3% over the $244.5 million recorded last year for the same period. EBITDA[1, 3] for the first three months increased by 28% to $96.8 million[3] from $75.5 million[4] for the same quarter last year. Consolidated net earnings[2] for the first three months of Fiscal 2010 increased by 42% over last year, rising to $56.2 million[2, 3] ($1.00 per share) from $39.6 million[4] ($0.71 per share) last year. Cash flow from operations[5] rose by 18% to $59.6 million for the first quarter compared to $50.7 million[4] for the same period last year.

"Our relentless focus on execution and on offering our consumers and advertisers the best media products in pay and specialty television, radio and outdoor advertising contributed to an impressive start to this new fiscal year," said Ian Greenberg, President and Chief Executive Officer. "Despite the economic challenges the industry has faced this past year, our sustained investments in branding, programming and sales initiatives have started to yield tangible benefits and have helped to further strengthen the customer experience across our brands and platforms. Other initiatives, such as the launch of online programming with Bell TV, new HD channels, the deployment of Canada's first national digital outdoor advertising network as well as the return of "Les Grandes Gueules" on the NRJ network this month, should have a positive impact on our results in Fiscal 2010."

1. EBITDA is defined as earnings before interest, taxes, depreciation and amortization (see "Supplementary Measures").
2. Excluding the impact of an $8.4 million ($0.15 per share) non-cash future income tax recovery resulting from future income tax rate changes enacted by the Ontario Government (see "Supplementary Measures").
3. Including the $11.6 million in Part II licence fees accrual reversal ($8.0 million net of income taxes or $0.14 per share) in the first quarter of Fiscal 2010 ($3.2 million in Television and $8.4 million in Radio). See details in the Management's Discussion and Analysis.
4. After the restatement of Fiscal 2009 figures following the adoption of Section 3064 of the Canadian Institute of Chartered Accountants' ("CICA") Handbook. See details in the Management's Discussion and Analysis.
5. See "Supplementary Measures".

OPERATIONAL HIGHLIGHTS

Television

- Revenue growth of 6%;
- EBITDA[1] growth of 29%[3, 4];
- Advertising revenues up 1% and subscriber-related revenues increase of 8%;
- Launch of The Movie Network OnLine, Family OnLine and Playhouse Disney OnLine services with Bell TV;
- Launch of two new HD channels, MExcess HD and MFun! HD, offered free-of-charge since December 2, 2009 to subscribers of The Movie Network.

Radio

- Revenue decrease of 1%;
- EBITDA[1] growth of 29%[3, 4];
- Announcement of the return of ''*Les Grandes Gueules*'' on NRJ, Canada's most popular radio show for several years;
- Rebranding of EZ Rock 97.3 FM in Toronto to boom 97.3 in December, with a new format and a revised personality lineup.

Outdoor Advertising

- Revenue decrease of 4%;
- EBITDA[1] stable;
- Deployment of a national Digital outdoor advertising network with the addition of nine new faces in Vancouver and two new faces in Toronto.

Corporate

- In October, the Canadian Association of Broadcasters announced a settlement agreement with the Government of Canada pertaining to the regulation of Part II licence fees. Consequently, the Company reversed accrued expenses of $11.6 million in the first quarter of Fiscal 2010;
- Renewal of the normal course issuer bid to repurchase up to 2.5% of outstanding Class A Shares and Class B Shares announced on December 9, 2009;
- Declaration of a semi-annual dividend of twenty-five cents (25¢) per share.

1. EBITDA is defined as earnings before interest, taxes, depreciation and amortization (see "Supplementary Measures").
2. Excluding the impact of an $8.4 million ($0.15 per share) non-cash future income tax recovery resulting from future income tax rate changes enacted by the Ontario Government (see "Supplementary Measures").
3. Including the $11.6 million in Part II licence fees accrual reversal ($8.0 million net of income taxes or $0.14 per share) in the first quarter of Fiscal 2010 ($3.2 million in Television and $8.4 million in Radio). See details in the Management's Discussion and Analysis.
4. After the restatement of Fiscal 2009 figures following the adoption of Section 3064 of the CICA Handbook. See details in the Management's Discussion and Analysis.

ASTRAL MEDIA INC.
Management's Discussion and Analysis
for the three-month periods ended November 30, 2009 and 2008

The purpose of this Management's Discussion and Analysis ("MD&A"), dated January 14, 2010, is to provide readers with additional and complementary information regarding Astral Media Inc.'s ("Astral", "Astral Media" or the "Company") financial condition and results of operations and should be read in conjunction with the audited consolidated financial statements and related notes, and the MD&A contained in the Company's 2009 Annual Report, and with the Company's Annual Information Form.

Copies of these documents, the Company's Management Proxy Circular dated October 27, 2009, its notices of intention to make a normal course issuer bid, as well as additional information concerning the Company can be found on the SEDAR Web site at www.sedar.com and may also be obtained upon request, without charge, to the Secretary of the Company at its executive offices, 2100, rue Sainte-Catherine Ouest, bureau 1000, Montréal, Québec, H3H 2T3, telephone: 514-939-5000. The above-mentioned documents, as well as the Company's news releases, are also available on the Company's Web site at www.astralmedia.com.

All amounts herein are expressed in Canadian dollars. Certain comparative figures have been reclassified to conform with the basis of presentation adopted in Fiscal 2010.

FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements concerning the future performance of the Company's business, its operations and its financial results and condition. When used in this document, the words "believe", "anticipate", "intend", "estimate", "expect", "project" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such words. These forward-looking statements are based on current expectations. We caution that all forward-looking information is inherently uncertain and actual results may differ materially from the assumptions, estimates or expectations reflected or contained in the forward-looking information, and that actual future performance will be affected by a number of factors, including technological change, economic conditions, regulatory change, competitive factors and changes in accounting rules or standards, many of which are beyond the Company's control (see "Risks, Uncertainties and Opportunities"). Therefore, future events and results may vary substantially from what we currently foresee. Except as required under applicable securities regulation, we disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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PROFILE

Astral Media is a leading Canadian media company, reaching people through a combination of highly targeted media properties in television, radio, outdoor advertising, and interactive media. The Company is the country's largest broadcaster of English- and French-language pay and specialty television and operates, on its own or with partners, 20 television services, including The Movie Network / HBO Canada, Super Écran, Family, Canal Vie, Canal D, VRAK.TV, and TELETOON. Astral Media is also Canada's largest radio broadcaster with 83 licensed radio stations in eight provinces, under some of the industry's best known brands including NRJ, RockDétente, Virgin Radio and EZ Rock. Astral Media Outdoor is one of Canada's most dynamic and innovative outdoor advertising companies with nearly 8,000 faces located in the largest markets in Québec, Ontario and British Columbia. Astral Media also operates over 100 websites with a high level of interactivity and a variety of different products and on-line services. The Company employs approximately 2,800 people at its facilities in Montréal, Toronto, and in a number of cities throughout Canada. The shares of Astral Media Inc. trade on the Toronto Stock Exchange under the ticker symbols ACM.A/ACM.B.

HIGHLIGHTS

- Increases of 42% in net earnings and 41% in basic earnings per share before the impact of future income tax rate changes (1) (2) (63% increase in net earnings and 62% increase in basic earnings per share)
- 28% increase in EBITDA (3)
- 3% increase in revenues
- On November 30, 2009, the Company announced the return on air of the "Les Grandes Gueules" show, an unprecedented radio success, in January 2010 on the NRJ network (see "Business Developments" section)
- During the quarter, the Company expanded its Digital outdoor advertising network with the addition of nine faces in Vancouver and two faces in Toronto, to complement ten faces in Montreal
- In October 2009, the Canadian Association of Broadcasters announced a settlement agreement with the Government of Canada pertaining to the regulation of Part II licence fees. Consequently, the Company reversed Part II fee expenses accrued in prior years of $11.6 million in the first quarter of Fiscal 2010 (see "Part II Licence Fees Accrual Reversal" section)
- On December 9, 2009, the Company announced the renewal of its normal course issuer bid to repurchase up to 2.5% of its outstanding Class A and Class B shares
- On December 24, 2009, the Company announced that EZ Rock 97.3 FM in Toronto will become boom 97.3 with a new format and a revised personality lineup.

(1) See "Supplementary Measures".

(2) Excluding the Part II licence fees accrual reversal, net of income taxes, the increases would have been 22% and 21% in net earnings and basic earnings per share, respectively, before the impact of future income tax rate changes (see "Part II Licence Fees Accrual Reversal" section).

(3) Earnings before interest, taxes, depreciation and amortization ("EBITDA") (see "Supplementary Measures"). Excluding the Part II licence fees accrual reversal, the EBITDA increase would have been 13% (see "Part II Licence Fees Accrual Reversal" section).

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PERFORMANCE REVIEW

CONSOLIDATED RESULTS

	November 30		
(in thousands of $ except for per-share data)	2009	2008	% Change
		(Restated) (3)	
Revenues	250,685	244,483	3%
Operating expenses	165,424	169,028	-2%
Part II licence fees accrual reversal	(11,552)	–	n/a
EBITDA (1)	96,813	75,455	28%
Depreciation and amortization	7,584	6,396	19%
Interest expense, net	7,189	10,518	-32%
Earnings before income taxes	82,040	58,541	40%
Income tax provision, before future income tax recovery (2)	25,796	18,936	36%
Net earnings before the impact of future income tax rate changes (1)	56,244	39,605	42%
Future income tax recovery resulting from income tax rate changes (2)	(8,397)	–	n/a
Net earnings	64,641	39,605	63%
Basic earnings per share before the impact of future income tax rate changes (1)	1.00	0.71	41%
Impact of future income tax rate changes (2)	0.15	–	n/a
Basic earnings per share	1.15	0.71	62%
Diluted earnings per share	1.14	0.70	63%
Weighted average number of shares outstanding – basic (in thousands)	56,212	56,010	–
Weighted average number of shares outstanding – diluted (in thousands)	56,866	56,472	1%
Cash flow from operations (1)	59,607	50,722	18%

The most significant variances in the consolidated results between the first quarters of Fiscal 2010 and Fiscal 2009 are due to the following: the continued growth of subscription-related revenues in pay and specialty television as well as growth in advertising revenues in Television; the reversal of $11.6 million of accrued Part II licence fees following the resolution of the issue described in the "Part II Licence Fees Accrual Reversal" section. It should be noted that Fiscal 2009 figures have been restated (the "Restatement") following the adoption of Section 3064 of the Canadian Institute of Chartered Accountants ("CICA") Handbook (see the "Restatement of Fiscal 2009 Figures" section).

The financial results and variances presented in this MD&A include the impact of the Restatement and exclude the impact of future income tax rate changes that were enacted in the first quarter of Fiscal 2010. The impact resulting from the Restatement is explained in the "Restatement of Fiscal 2009 Figures" section which follows, and the impact resulting from future income tax rate changes is explained in the "Income Taxes" section.

(1) See "Supplementary Measures".
(2) See "Income Taxes".
(3) See "Restatement of Fiscal 2009 Figures".

Restatement of Fiscal 2009 Figures

Following the adoption of Section 3064 of the CICA Handbook (see “Accounting Matters”), the Company reclassified the net carrying value of computer software that met the definition of intangible assets from property, plant and equipment to other intangible and non-current assets on the consolidated balance sheets. The amortization expense related to these assets was reclassified from depreciation to amortization of intangible assets on the consolidated statements of earnings. The Company also wrote-off start-up and business pre-operating costs (the “pre-op costs”) and related future income tax liabilities through opening retained earnings. Net earnings for the three-month periods ended in each of the four quarters of Fiscal 2009 were restated to recognize pre-op costs of new services as operating expenses, to eliminate amortization of pre-op costs and to reverse the future income tax expense related to such pre-op costs in the consolidated statement of earnings (see note 1 to the unaudited interim consolidated financial statements for the three-month period ended November 30, 2009).

The adjustments, following the adoption of Section 3064, to the consolidated statements of earnings for Fiscal 2009 and for the three-month periods ended in each of the four quarters of Fiscal 2009, are summarized in the following tables:

	Q1 2009			
(in thousands of $ except for per-share data)	Published	Pre-op Costs	Software	Restated
Revenues	244,483	–	–	244,483
Operating expenses	165,018	4,010	–	169,028
EBITDA (1)	79,465	(4,010)	–	75,455
Depreciation	6,141	–	(847)	5,294
Amortization	414	(159)	847	1,102
Interest expense, net	10,518	–	–	10,518
Earnings before income taxes	62,392	(3,851)	–	58,541
Income tax provision	20,030	(1,094)	–	18,936
Net earnings	42,362	(2,757)	–	39,605
Basic earnings per share	0.76	(0.05)	–	0.71
Diluted earnings per share	0.75	(0.05)	–	0.70

	Q2 2009			
(in thousands of $ except for per-share data)	Published	Pre-op Costs	Software	Restated
Revenues	209,278	–	–	209,278
Operating expenses	147,364	2,728	–	150,092
EBITDA (1)	61,914	(2,728)	–	59,186
Depreciation	6,221	–	(897)	5,324
Amortization	468	(163)	897	1,202
Interest expense, net	9,546	–	–	9,546
Restructuring charges	2,691	–	–	2,691
Earnings before income taxes	42,988	(2,565)	–	40,423
Income tax provision	14,041	(721)	–	13,320
Net earnings	28,947	(1,844)	–	27,103
Basic earnings per share	0.52	(0.04)	–	0.48
Diluted earnings per share	0.51	(0.03)	–	0.48

(1) See "Supplementary Measures".

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	Q3 2009			
(in thousands of $ except for per-share data)	Published	Pre-op Costs	Software	Restated
Revenues	232,537	–	–	232,537
Operating expenses	150,273	430	–	150,703
EBITDA (1)	82,264	(430)	–	81,834
Depreciation	6,461	–	(834)	5,627
Amortization	758	(386)	834	1,206
Interest expense, net	8,926	–	–	8,926
Restructuring charges	616	–	–	616
Earnings before income taxes	65,503	(44)	–	65,459
Income tax provision	21,200	(10)	–	21,190
Net earnings	44,303	(34)	–	44,269
Basic earnings per share	0.79	–	–	0.79
Diluted earnings per share	0.78	–	–	0.78

	Q4 2009			
(in thousands of $ except for per-share data)	Published	Pre-op Costs	Software	Restated
Revenues	219,427	–	–	219,427
Operating expenses	142,691	68	–	142,759
EBITDA (1)	76,736	(68)	–	76,668
Depreciation	5,941	–	(719)	5,222
Amortization	1,116	(594)	719	1,241
Interest expense, net	7,978	–	–	7,978
Restructuring charges	1,076	–	–	1,076
Impairment charge on broadcast licences	399,459	–	–	399,459
Loss before income taxes	(338,834)	526	–	(338,308)
Income tax provision	16,773	121	–	16,894
Future income tax recovery	(81,970)	–	–	(81,970)
Net loss	(273,637)	405	–	(273,232)
Basic loss per share	(4.87)	0.01	–	(4.86)
Diluted loss per share	(4.87)	0.01	–	(4.86)

(1) See "Supplementary Measures".

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	Fiscal 2009			
(in thousands of $ except for per-share data)	Published	Pre-op Costs	Software	Restated
Revenues	905,725	–	–	905,725
Operating expenses	605,346	7,236	–	612,582
EBITDA (1)	300,379	(7,236)	–	293,143
Depreciation	24,764	–	(3,297)	21,467
Amortization	2,756	(1,302)	3,297	4,751
Interest expense, net	36,968	–	–	36,968
Restructuring charges	4,383	–	–	4,383
Impairment charge on broadcast licences	399,459	–	–	399,459
Loss before income taxes	(167,951)	(5,934)	–	(173,885)
Income tax provision	72,044	(1,704)	–	70,340
Future income tax recovery	(81,970)	–	–	(81,970)
Net loss	(158,025)	(4,230)	–	(162,255)
Basic loss per share	(2.82)	(0.08)	–	(2.89)
Diluted loss per share	(2.82)	(0.08)	–	(2.89)

OVERALL ANALYSIS

Revenues

Television revenues are derived from subscription fees, advertising sales and pay-per-view sales. Pay-television subscription revenues tend to follow the growth trend of digital television subscribers in the same markets, while specialty television subscriber revenues generally show lower growth rates as these services are distributed on high-penetration analog and digital tiers. Television and Radio advertising revenues are derived from advertising aired on the Company's broadcasting properties and they vary according to market and general economic conditions, the quality of programming and the effectiveness of the sales organization. Outdoor Advertising revenues are derived from the sale of advertising on the Company's inventory of outdoor faces and street furniture equipment, and are influenced by their number in inventory, their location, creative appeal and size, occupancy levels, as well as market and general economic conditions. See the "Quarterly Performance" section for explanations of seasonal patterns.

Revenues are detailed as follows:

	November 30		
(in thousands of $)	2009	2008	% Change
Subscription related – Television	106,464	98,967	8%
Advertising			
Television	34,763	34,472	1%
Radio	89,165	89,858	-1%
Outdoor Advertising	20,293	21,186	-4%
Total Advertising	144,221	145,516	-1%
Total Revenues	250,685	244,483	3%

(1) See "Supplementary Measures".

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Total revenues reached $250.7 million for the three-month period ended November 30, 2009 compared to $244.5 million for the same period last year, for an increase of $6.2 million. The increase is essentially coming from subscription-related revenues in Television mainly driven by subscriber growth, in both pay and specialty television and from new television services launched in Fiscal 2009. The first quarter of Fiscal 2010 was another challenging period for advertising revenues in the context of weakened general economic conditions. As a result, advertising revenues in Radio and Outdoor Advertising showed decreases of 1% and 4% respectively, as compared to the same period last year, while advertising revenue in Television showed an increase of 1%. Revenue variations are explained in the “Business Segment Performance” section.

Operating Expenses

Operating expenses for the three-month period ended November 30, 2009, excluding the Part II licence fees accrual reversal explained below, decreased by $3.6 million or 2% compared to the same period last year. This is mainly explained by the fact that the Company did not launch any new services during the first quarter of Fiscal 2010, whereas expenses of $4.0 million related to the launch of new services were incurred during the same period last year (mainly the launch of HBO Canada). This is partially offset by a slight increase of $0.4 million in the Company’s most significant operating expenses: television programming costs and salaries and benefits. Variances are explained in the “Business Segment Performance” section.

Part II Licence Fees Accrual Reversal

The Canadian Association of Broadcasters (the “CAB”), on behalf of its members, challenged in Court the validity of the Part II licence fees payable annually to the Canadian Radio-television and Telecommunications Commission (the “CRTC”) by television and radio broadcasters, as well as broadcast distribution undertakings. In December 2006, the Federal Court ruled that the Part II licence fees were an illegal tax. The Federal Government appealed the Federal Court judgment, and on April 28, 2008, the Appeal Court ruled that the Federal Court mischaracterized the legal test to be applied to distinguish a tax from a regulatory charge and that the fees represented, in fact, administrative costs incurred by the CRTC. On June 27, 2008, the CAB, on behalf of its members, filed an application for leave to appeal the Appeal Court decision to the Supreme Court of Canada (the “SCC”), which application was granted on December 18, 2008. The CRTC confirmed to the CAB that it would not attempt to collect outstanding Part II Fees until the earlier of (i) the Appeal Court decision is affirmed by the SCC; or (ii) the matter is settled between the parties. The Company has been paying or accruing, as the case may be, the Part II licence fees using known rates since the beginning of legal proceedings.

In October 2009, the CAB announced that its Board of Directors, along with other fee-paying stakeholders, approved the terms of a settlement agreement with the Government of Canada pertaining to the Part II Licence Fees issue. The agreement has resulted in the CAB and other named parties discontinuing the legal challenge before the SCC. The agreement provides that fees and interest due to the Government, but not collected by the CRTC due to ongoing litigation issues for the fiscal years 2007, 2008 and 2009, will be waived and that there will not be any recovery of the amounts paid by the stakeholders to the Government for any prior year. Going forward, the Government will be recommending that the CRTC revise the Part II licence fee regime to cap the fees. The revised fee regime is effective for the fiscal year beginning September 1, 2009 and the Company estimates that it will bring savings, on an annual basis, of approximately $1.5 million as compared to the fees accrued under the previous regime.

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In the first quarter of Fiscal 2010, the Part II licence fees accrued as at August 31, 2009 amounting to $11.6 million ($8.0 million net of income taxes or $0.14 per share) were reversed through operating expenses on the Company's unaudited interim consolidated statement of earnings following the settlement.

Furthermore, the purchase price of a prior year's business acquisition is subject to a contingent consideration, the amount of which is based on the impact on future earnings of the final resolution of matters pertaining to the Part II licence fees settlement agreement. The Company will therefore be required to pay an additional cash consideration estimated to be less than $10.0 million. The additional consideration will be accounted for as an increase of goodwill in the period in which the payment occurs.

EBITDA (1)

The Company's EBITDA (1) for the quarter ended November 30, 2009 exceeded the EBITDA (1) for the same period last year by $21.4 million or 28%. This is mainly the result of a $6.2 million increase in revenues, namely subscription-related revenues in both pay and specialty television, the Part II licence fees accrual reversal of $11.6 million (see "Part II Licence Fees Accrual Reversal " section) and lower other operating expenses, mainly explained by lower expenses of $4.0 million related to the launch of new services. As a result of the Part II licence fees accrual reversal, the overall EBITDA margin (1) of 38.6% for the quarter is not readily comparable to the EBITDA margin (1) of 30.9% for the same period last year. By excluding the impact of the $11.6 million reversal, the EBITDA (1) increase over last year was 13% and the EBITDA margin (1) for the first quarter of Fiscal 2010 would be 34.0%, representing an increase in the EBITDA margin (1) of 3.1 basis points in comparison to the same period last year. EBITDA (1) by segment is reviewed in the "Business Segment Performance" section.

	November 30		
(in thousands of $)	2009	2008	% Change
		(Restated) (2)	
Television	**56,608**	43,908	28%
Radio	**39,536**	30,656	29%
Outdoor Advertising	**7,779**	7,816	–
Corporate	**(7,110)**	(6,925)	-3%
EBITDA (1)	**96,813**	75,455	28%
EBITDA margin (1)	***38.6%***	*30.9%*	25%

Depreciation and Amortization

The total depreciation and amortization expense was $7.6 million for the three-month period ended November 30, 2009, a $1.2 million increase as compared to the same period last year. This is mainly due to the acquisition and deployment of street furniture equipment for the street furniture program in the City of Toronto (the "TSF") in the Outdoor Advertising segment. Any significant depreciation and amortization variance by segment is reviewed in the "Business Segment Performance" section.

(1) See "Supplementary Measures".
(2) Following the adoption of CICA Handbook Section 3064, the Company has restated the results of operations for the three-month period ended November 30, 2008 (see "Restatement of Fiscal 2009 Figures" section).

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Interest

Interest expense is primarily composed of interest on the Company's long-term debt and imputed interest on other non-current liabilities, net of interest income earned on cash, cash equivalents and short-term investments. Net interest expense for the three-month period ended November 30, 2009 was $7.2 million compared to $10.5 million for the same period last year. The $3.3 million decrease in the interest expense is mainly due to a lower interest rate on the portion of the long-term debt which is not covered by the interest-rate swap agreement and to debt repayments of $120.0 million over the last twelve months. The effective interest rate, including the effect of the interest-rate swap agreement, was 3.7% for the first quarter compared to 4.8% for the same period last year.

Income Taxes

On November 16, 2009, the Ontario government substantively enacted a progressive decrease to its general corporate income tax rate from 14.0% to 10.0%, to be phased-in between July 1, 2010 and July 1, 2013. Upon each enacted rate change, over which the Company has no control, the Company is required to re-measure its future income tax assets and liabilities using the newly substantively enacted corporate income tax rates, taking into account the rates anticipated to be in effect when the respective future income tax assets are realized or liabilities are settled. For the three-month period ended November 30, 2009, this resulted in a non-cash future income tax recovery of $8.4 million ($0.15 per share) recorded in the unaudited interim consolidated statement of earnings.

Excluding this non-cash future income tax recovery, the effective income tax rates of 31.4% for the first quarter of Fiscal 2010 is higher than the statutory rate of 30.6%, mainly due to the non-deductible stock-based compensation expense. The effective income tax rate is lower than last year's corresponding period rate of 32.3% mainly due to the decrease in the Federal general corporate income tax rate.

Net Earnings and Earnings per Share ("EPS")

The increase in net earnings and EPS compared to last year's corresponding period is mainly explained by an increase in revenues of $6.2 million, principally subscription-related revenues in both pay and specialty television, by lower operating expenses, mainly resulting from lower expenses of $4.0 million related to the launch of new services, by the Part II licence fees accrual reversal of $11.6 million ($8.0 million net of income taxes or $0.14 per share) (see "Part II Licence Fees Accrual Reversal" section), and by the non-cash future income tax recovery of $8.4 million (see "Income Taxes" section).

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BUSINESS SEGMENT PERFORMANCE

Television

(in thousands of $ except for pay television subscribers)	November 30 2009	2008 (Restated) [1]	% Change
Pay-television subscribers – end of period (in thousands)	1,783	1,726	3%
Revenues	141,227	133,439	6%
Operating expenses	87,773	89,531	-2%
Part II licence fees accrual reversal	(3,154)	–	n/a
EBITDA [2]	56,608	43,908	29%
Depreciation and amortization	2,398	2,161	11%
	54,210	41,747	30%
EBITDA margin [2] [3]	*37.8%*	*32.9%*	*15%*

The Television segment showed a strong performance in the three-month period ended November 30, 2009 mainly due to strong subscription-related revenues, in both pay and specialty services. This resulted in a revenue increase of 6%, mainly explained by higher subscribers, the launch of new television services such as HBO Canada in Fiscal 2009, the continuing expansion of digital distribution services and high-definition service offerings, high-quality and exclusive programming, web initiatives and strong brand recognition.

Pay-television revenues (The Movie Network ("TMN"), Super Écran ("SÉ"), Mpix and Cinépop) increased by 11% in the first quarter of Fiscal 2010, while the number of pay-television subscribers, as at November 30, 2009, increased by 3% year-over-year. HBO Canada contributed significantly to the increase of pay-television revenues.

Specialty television subscriber revenues increased by 5% for the three-month period ended November 30, 2009, mainly due to an increase in the subscriber base. Globally, television advertising revenues increased by 1%, showing signs of increased activity for Astral's specialty television networks following the economic slowdown experienced throughout Fiscal 2009. In comparison, the combined Québec and Ontario television advertising market decreased by an estimated 3% [4] during the first quarter of Fiscal 2010. Astral's French-language speciality television networks revenues decreased by 3% as compared to the same period last year, while the overall Québec French-language television advertising market decreased by an estimated 4% [4]. The better performance of Astral's specialty television networks overall is mainly due to targeted made-to-measure original programming, favourable ratings, focused sales strategies and optimal inventory management. For the three-month period ended November 30, 2009, the French-language speciality television's market share for the 2-and-over age category increased by approximately 1%, while conventional networks suffered a decrease of approximately 3% in the same age category [5]. The Company's Television advertising revenues accounted for 25% of total Television revenues for the three-month period ended November 30, 2009 compared to 26% for the same period last year.

(1) Following the adoption of CICA Handbook Section 3064, the Company has restated the results of operations for the three-month period ended November 30, 2008 (see "Restatement of Fiscal 2009 Figures" section).
(2) See "Supplementary Measures".
(3) The November 30, 2009 Television EBITDA margin is calculated excluding the impact of the Part II licence fees accrual reversal of $3.2 million.
(4) TVB – Time Sales Survey – November 2009.
(5) BBM results, Québec francophone, cumulative average since September 1, 2009.

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The Television group's operating expenses, excluding the Part II licence fees accrual reversal of $3.2 million, decreased by 2% during the first quarter of Fiscal 2010. This is mainly due to the fact that the Company did not incur costs related to the launch of new services during the first quarter of Fiscal 2010 compared to costs of $3.8 million incurred for new services launched during the same period last year (mainly HBO Canada). This is partially offset by higher marketing and programming expenses.

As a result, the Television EBITDA (1) for the three-month period ended November 30, 2009 increased by 29%. The EBITDA margin (1) of 37.8% (2) for the quarter is above last year's EBITDA margin (1) of 32.9% mainly due to increased revenues and the absence of costs incurred to launch new services in Fiscal 2010.

Due to the nature of the Company's activities, the depreciation and amortization expense in the Television segment is relatively stable from one year to another.

Radio

	November 30		
(in thousands of $)	2009	2008	% Change
		(Restated) (3)	
Revenues	89,165	89,858	-1%
Operating expenses	58,027	59,202	-2%
Part II licence fees accrual reversal	(8,398)	–	n/a
EBITDA (1)	39,536	30,656	29%
Depreciation and amortization	2,907	2,453	19%
	36,629	28,203	30%
EBITDA margin (1) (4)	*34.9%*	*34.1%*	*2%*

The first quarter of Fiscal 2010 was another challenging quarter for Astral Media Radio where the economic slowdown experienced across Canada is still adversely impacting advertising sales, but to a lesser extent than in the last quarter of Fiscal 2009. Despite this challenging economic period, Astral Media Radio recorded a revenue decrease of 1% over the same period last year while the overall radio market in Canada, limited to the footprint where Astral Media Radio operates, decreased by 7%. The performance and resiliency of Astral's radio stations in comparison to the market are mainly due to focused sales strategies and key investments in branding and programming.

The Radio group's operating expenses, excluding the Part II licence fees accrual reversal of $8.4 million, decreased by 2% for the three-month-period ended November 30, 2009 as compared to the same period last year. This is mainly due to lower variable costs related to the decrease in revenues and to lower expenses in marketing as compared to the same period last year.

This resulted in EBITDA (1) increase of 29% for the first quarter. Astral Media Radio's EBITDA margin (1) of 34.9% (4) for the quarter is slightly above EBITDA margin (1) of 34.1% for the same period last year mainly due to lower operating expenses.

(1) See "Supplementary Measures".
(2) The November 30, 2009 Television EBITDA margin is calculated excluding the impact of the Part II licence fees accrual reversal of $3.2 million.
(3) Following the adoption of CICA Handbook Section 3064, the Company has restated results of operations for the three-month period ended November 30, 2008 (see "Restatement of Fiscal 2009 Figures" section).
(4) The November 30, 2009 Radio EBITDA margin is calculated excluding the impact of the Part II licence fees accrual reversal of $8.4 million.

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Due to the nature of the Company's activities, the depreciation and amortization expense in the Radio segment is relatively stable from one year to another. The increase in the depreciation and amortization expense of $0.5 million for the three-month period ended November 30, 2009, is mainly due to higher capital expenditures for infrastructure upgrades during the last twelve months.

Outdoor Advertising

	November 30		
(in thousands of $)	2009	2008	% Change
Revenues	20,293	21,186	-4%
Operating expenses	12,514	13,370	-6%
EBITDA [(1)]	7,779	7,816	–
Depreciation and amortization	2,055	1,598	29%
	5,724	6,218	-8%
EBITDA margin [(1)]	*38.3%*	*36.9%*	*4%*

Outdoor Advertising recorded a decrease in revenue of 4% in the three-month period ended November 30, 2009. The decrease is mainly due to the economic slowdown experienced across Canada which is still adversely impacting, to a lesser extent than in the last quarter of Fiscal 2009, Outdoor's advertising sales.

The decrease of $0.9 million in operating expenses for the three-month period ended November 30, 2009 is mainly due to lower variable costs which are in line with the lower level of revenues, and to miscellaneous cost savings as compared to the same period last year.

As a result, EBITDA [(1)] for the three-month period ended November 30, 2009 is comparable to last year's EBITDA [(1)] for the corresponding period. This resulted in Outdoor Advertising's EBITDA margin [(1)] of 38.3% for the quarter, representing an increase in the EBITDA margin [(1)] of 1.4 basis points in comparison to the same period last year.

The depreciation and amortization expense of $2.1 million for the quarter ended November 30, 2009 is $0.5 million above last year's figure mainly due to investments in the new Digital outdoor advertising network and to TSF-related asset acquisitions over the last twelve months.

During the first quarter of Fiscal 2010, the Company established Canada's first national Digital outdoor advertising network by expanding its innovative technology in Vancouver and Toronto, to complement the ten digital boards already operating in Montreal. Vancouver's Digital network consists of nine 10 feet by 34 feet digital faces and the Toronto network currently features two 14 feet by 48 feet digital faces. The national Digital network is now fully operational.

(1) See "Supplementary Measures".

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Corporate

	November 30		
(in thousands of $)	2009	2008	% Change
Corporate costs	(4,967)	(5,214)	-5%
Stock-based compensation	(2,143)	(1,711)	25%
Corporate EBITDA (1)	(7,110)	(6,925)	3%
Depreciation and amortization	(224)	(184)	22%
	(7,334)	(7,109)	3%

Higher Corporate EBITDA (1) charges of $0.2 million for the three-month period ended November 30, 2009 compared to the same period last year are essentially due to the higher stock-based compensation expense and are partially offset by timing differences in the incurrence of certain corporate costs.

(1) See "Supplementary Measures".

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Quarterly Performance

Approximately 55% of the Company's annual revenues consist of advertising revenues that tend to follow seasonal patterns, with the second quarter being the least favourable. Subscriber-based revenues, which are more stable on a quarter-to-quarter basis and tend to do better in recessionary periods, represent approximately 45% of the Company's revenues.

It should be noted that Fiscal 2008 advertising revenue, in all three segments of the Company, benefitted from the fact that the Fiscal 2008 broadcasting calendar included one additional week, for a total of 53 weeks compared to 52 weeks in Fiscal 2009, most of the difference being in the fourth quarter which included 98 days in 2008 compared to 92 days in 2009.

Operating expenses are generally stable on a quarter-to-quarter basis as they tend to be incurred evenly throughout the year. The resulting quarterly EBITDA margins (1) will therefore tend to vary on the basis of advertising revenue fluctuations. Quarterly performance should therefore be interpreted taking the above factors into consideration, especially in the second quarter.

The following table highlights the quarterly performance of the Company's operations for the past eight quarters, reflecting seasonal patterns:

(in thousands of $ except for per-share data)	2008 Restated (2)			2009 Restated (2)				2010
	Q2 (3)	Q3	Q4	Q1	Q2	Q3	Q4(4)	Q1(5)
Revenues	205,850	231,944	229,872	244,483	209,278	232,537	219,427	250,685
EBITDA (1)	60,315	81,110	80,321	75,455	59,186	81,834	76,668	96,813
Net earnings from continuing operations	28,476	42,627	40,346	39,605	27,103	44,269	44,257	56,244
Basic EPS from continuing operations	0.50	0.75	0.72	0.71	0.48	0.79	0.79	1.00
Diluted EPS from continuing operations	0.49	0.74	0.71	0.70	0.48	0.78	0.78	0.99
Net earnings	28,525	42,705	38,478	39,605	27,103	44,269	44,257	56,244
Basic EPS	0.50	0.75	0.68	0.71	0.48	0.79	0.79	1.00
Diluted EPS	0.49	0.74	0.68	0.70	0.48	0.78	0.78	0.99

(1) See "Supplementary Measures".
(2) Following the adoption of CICA Handbook Section 3064, the Company has restated results of operations for all quarters of Fiscal 2008 and 2009 (see "Restatement of Fiscal 2009 Figures" section).
(3) Before impact of future income tax rate changes (see "Income Taxes" and "Supplementary Measures" in the Company's 2008 Annual Report).
(4) Before the impact of the impairment of broadcast licences of $317.5 million, net of future income tax recovery (see "Impairment of Broadcast Licences and Goodwill" in the Company's 2009 Annual Report).
(5) Before impact of future income tax rate changes (see "Income Taxes" and "Supplementary Measures").

FINANCIAL CONDITION, CASH FLOWS AND LIQUIDITY

(in thousands of $)	November 30 2009	November 30 2008
		(Restated) (1)
Cash flow from operations (2)	59,607	50,722

(in thousands of $)	November 30 2009	August 31 2009
Cash and cash equivalents	30,438	23,100
Short-term investments	–	–
Total cash and cash equivalents, and short-term investments	30,438	23,100

Cash flow from operations (2) increased by $8.9 million in the first quarter of Fiscal 2010 as compared to the same period last year. This increase is the result of an increase in net earnings that is mainly explained by increased revenues of $6.2 million, principally subscription-related revenues in both pay and specialty television and to lower operating expenses, mainly explained by lower expenses of $4.0 million required for the launch of new services.

The Company's cash and cash equivalents increased to $30.4 million as at November 30, 2009 from $23.1 million as at August 31, 2009. This increase is mainly due to $27.1 million of cash provided by the Company's operating activities in the three-month period ended November 30, 2009, and is partially offset by a reimbursement of $10.0 million of long-term debt, disbursements of $9.0 million for property, plant and equipment ("Capital Expenditures") and $1.5 million for other intangible and non-current assets.

The Company's financial condition is among the strongest in the industry. Cash flows from operating activities generate sufficient liquidity to cover its known operating and capital requirements, its renewed normal course issuer bid (see "Financing Activities"), its dividend payments, its debt service, its pension plan obligations and its current and longer term commitments.

The balance sheet as at November 30, 2009 did not vary in a significant manner as compared to August 31, 2009, with the exception of the following: an increase of $21.3 million in accounts receivable due to higher revenues in the first quarter of Fiscal 2010, as compared to the fourth quarter of Fiscal 2009 (see "Quarterly Performance"); a decrease of $23.9 million in accounts payable and accrued liabilities mainly due to the reversal of $11.6 million of Part II licence fees accrued over the last three years (see "Part II Licence Fees Accrual Reversal" section), and to the payment of certain amounts payable under conditions of CRTC licence acquisitions; a decrease in long-term debt mainly due to a reimbursement of $10.0 million during the three-month period ended November 30, 2009; and a decrease of $11.2 million in long-term future income tax liabilities mainly due to the decrease of Ontario's general corporate income tax rate from 14.0% to 10.0% to be phased-in between July 1, 2010 and July 1, 2013 (see "Income Taxes" section).

(1) Following the adoption of CICA Handbook Section 3064, the Company has restated results of operations for the three-month period ended November 30, 2008 (see "Restatement of Fiscal 2009 Figures" section).
(2) See "Supplementary Measures".

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The Company's cash flows from operating, investing and financing activities are summarized in the following table:

	November 30	
(in thousands of $)	2009	2008
		(Restated) (1)
Cash flow from operating activities	27,073	34,488
Cash used for investing activities, excluding variation of short-term investments (2)	(10,575)	(13,697)
Cash used in financing activities	(9,160)	(9,920)
Net change in cash, cash equivalents, and short-term investments	7,338	10,871
Cash and cash equivalents (bank overdraft) and short-term investments – beginning of period	23,100	6,318
Cash and cash equivalents – end of period	30,438	17,189

OPERATING ACTIVITIES

Cash provided by operating activities for the three-month period ended November 30, 2009 decreased by $7.4 million, as compared to the same period last year. This decrease is mainly due to higher working capital requirements of $16.3 million partially offset by higher cash flows from operations (2) of $8.9 million. The higher cash flows from operations (2) is mainly explained by increased revenues of $6.2 million, principally subscription-related revenues in both pay and specialty television, and to lower operating expenses, mainly explained by lower expenses of $4.0 million required for the launch of new services. Higher working capital requirements are mainly due to timing differences in the acquisitions and payments of program and film rights, and to higher payments of accounts payable and accrued liabilities.

INVESTING ACTIVITIES

Cash used in investing activities during the three-month period ended November 30, 2009, excluding the variation of short-term investments (2), decreased by $3.1 million as compared to last year's corresponding period. This decrease is mainly due to the net cash consideration of $2.8 million paid last year in the first quarter of Fiscal 2009 as part of the acquisition of Standard Radio Inc., and to lower Capital Expenditures of $1.2 million, partially offset by higher additions to other intangible and non-current assets of $0.8 million consisting mainly of computer software.

The following table details the capital expenditures by segment for the three-month periods ended November 30:

	November 30		
(in thousands of $)	2009	2008	% Change
Capital expenditures		(Restated) (1)	
Television	792	2,241	-65%
Radio	423	1,391	-70%
Outdoor Advertising	6,527	4,272	53%
Corporate	294	42	600%
Total capital expenditures	8,036	7,946	1%

(1) Following the adoption of CICA Handbook Section 3064, the Company has restated results of operations for the three-month period ended November 30, 2008 (see "Restatement of Fiscal 2009 Figures" section).

(2) See "Supplementary Measures".

Capital Expenditures for the three-month periods ended November 30, 2009 were $8.0 million as compared to $7.9 million spent in the same period of Fiscal 2009. The most significant Capital Expenditures pertain to TSF-related structures, other outdoor advertising structures, high-definition and other broadcasting equipment, as well as computer equipment. The increase in Outdoor Advertising's Capital Expenditures in the first quarter of Fiscal 2010 as compared to the same period last year is mainly explained by the investments in the new Digital outdoor advertising network and by higher spending for other outdoor advertising structures. The decreases in Television and Radio are mainly due to lower investments in miscellaneous equipments and leasehold improvements. The unaudited interim consolidated statement of cash flows for the three-month period ended November 30, 2009 excludes additions to Capital Expenditures of $1.3 million that were unpaid as at that date (excludes $1.1 million for the three-month period ended November 30, 2008) and includes additions to Capital Expenditures of $2.3 million that were unpaid as at August 31, 2009 (includes $3.4 million of additions that were unpaid as at August 31, 2008 for the three-month period ended November 30, 2008). Overall spending on Capital Expenditures and computer software in Fiscal 2010 is estimated to be in the range of $60.0 million to $65.0 million, approximately 50% of which is attributable to the Outdoor Advertising segment, mainly for TSF-related structures and for the new Digital outdoor advertising network.

FINANCING ACTIVITIES

Cash used in financing activities in the first quarter of Fiscal 2010 was $9.2 million compared to $9.9 million for the same period last year for a decrease of $0.7 million. This is due to higher proceeds of $0.8 million received following the exercise of stock options. In both the first quarter of Fiscal 2010 and of Fiscal 2009 the Company reimbursed $10.0 million of its outstanding long-term debt.

On December 9, 2009, the Company announced the renewal of its normal course issuer bid. Under the terms of this renewal, the Company is authorized to repurchase for cancellation up to 1,338,192 Class A shares and 69,616 Class B shares, both quantities representing 2.5% of the outstanding shares as at November 30, 2009 for their respective class of shares. The share repurchase program will be conducted over a maximum period of 12 months which began on December 15, 2009.

On December 9, 2008, the Company announced the renewal of its normal course issuer bid to repurchase for cancellation up to 2,665,620 Class A shares and 139,234 Class B shares, both quantities representing no more than 5% of the outstanding shares as at November 30, 2008 for their respective class of shares. The share repurchase program was conducted over a maximum period of 12 months which ended on December 14, 2009. During the term of this renewed bid, the Company repurchased 27,200 Class A shares in December 2009.

CAPITAL STRUCTURE

In the management of capital, the Company includes long-term debt and shareholders' equity (excluding accumulated other comprehensive income (loss)) as well as cash and cash equivalents (bank overdraft), and short-term investments in its definition of capital. The Company's overall capital management objectives are to create shareholder value through organic growth of its operations and through accretive acquisitions, and to maintain the most optimal capital structure in order to minimize its cost of capital.

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As at November 30, 2009, the Company's capital structure consisted of shareholders' equity in the amount of $1,227 million, borrowings under the Facility in the amount of $685.0 million and cash and cash equivalents of $30.4 million. The unused portion of the Facility amounted to $155.7 million ($175.0 million less $19.3 million of outstanding letters of credits). As at November 30, 2009, there were no off-balance sheet liabilities. The number of outstanding Class A and Class B shares of the Company increased from a total of 56.2 million shares as at August 31, 2009 to 56.3 million shares as at November 30, 2009, mainly due to the conversion of restricted share units into Class A shares.

The following table presents additional share information:

Outstanding as at:	December 31, 2009	November 30, 2009	August 31, 2009
Class A shares	53,673,052	53,527,697	53,388,843
Class B shares	2,784,672	2,784,672	2,784,672
Special shares	65,000	65,000	65,000
Employee stock options	3,318,752	3,108,545	3,154,763
Restricted share units	282,800	198,000	303,800

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust its capital structure, the Company reviews the amount of dividends to be paid to shareholders annually and periodically decides to repurchase its shares on the marketplace and/or to reimburse debt.

On October 29, 2007, the Company established a $1.0 billion credit facility (the “Facility”) with a syndicate of financial institutions, which has been reduced to $860.0 million as at November 30, 2009 following repayments. The Facility has a five-year term which started on October 29, 2007 and borrowings under the Facility can be in the form of bankers’ acceptances, Canadian prime-rate loans, US base-rate loans or LIBOR loans, and bear interest accordingly, plus a premium based on certain financial ratios.

As at November 30, 2009, total borrowings under the Facility amounted to $685.0 million ($695.0 million as at August 31, 2009), excluding $19.3 million of outstanding letters of credit ($19.3 million as at August 31, 2009), and bear a weighted-average interest rate of 3.6% (3.8% as at August 31, 2009) after reflecting the effect of the interest-rate swap agreement described below. The Company fully guarantees the Facility on an unsecured basis and also has a prepayment option without penalty that can be exercised at any time during the term of the Facility. Under the terms of the Facility, the Company has no repayment obligations before October 29, 2012 and is required to comply with certain financial ratios. The Company has been in compliance with these financial ratios and all other covenants since the establishment of the Facility.

Borrowings under the Company’s floating rate Facility are subject to interest rate fluctuations. To manage the interest-rate risk exposures related to the Facility, on October 29, 2007 the Company entered into an interest-rate swap agreement with a large Canadian bank (the “Agreement”) covering part of its long-term debt. The Company does not use derivative financial instruments for trading or speculative purposes. The Agreement is based on an initial nominal amount of $750.0 million which is being reduced periodically ($424.6 million as at November 30, 2009) based on a predetermined schedule, until its maturity on May 29, 2012. Under the Agreement, the Company pays interest based on a fixed rate of 4.6% and receives interest based on floating 30-day bankers’ acceptances rates. The Company elected to apply cash flow hedge accounting on this derivative financial instrument. Based on the current market value of the derivative financial instrument, an unrealized non-cash income of $2.4 million ($1.6 million net of income taxes), representing the change in market value since August 31, 2009, has been recorded in the unaudited interim consolidated statement of comprehensive income for the three-month period ended November 30, 2009.

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During the first quarter of Fiscal 2010, the Company extended, from five to seven years, the term of the 589,330 outstanding Class A stock options granted between December 13, 2004 and December 12, 2008 to non-insider employees. The extension of the term of these options increased the fair value of such options by a range of $0.26 to $4.05 per option resulting, for the three-month period ended November 30, 2009, in an additional stock-based compensation expense amounting to $0.6 million.

BUSINESS DEVELOPMENTS

On November 30, 2009, the Company announced the return of the show “Les Grandes Gueules” on the NRJ network. After a three-year hiatus, the trio “Les Grandes Gueules”, will be back behind the microphone starting on January 18, 2010. The history of “Les Grandes Gueules” on NRJ is an unprecedented radio success, encompassing a 15-year career with record ratings unrivalled anywhere else in Canada.

In October 2009, the Company established Canada’s first national Digital outdoor advertising network by expanding its innovative technology in Vancouver and Toronto, to complement ten digital boards already operating in Montreal. Vancouver’s Digital network consists of nine 10 feet by 34 feet digital faces and the Toronto network currently features two 14 feet by 48 feet digital faces. The national Digital network is fully operational since December 2009.

On December 24, 2009, the Company announced the launch of a new radio format on 97.3 FM in Toronto. The radio station formerly known as EZ Rock has undergone a format flip, and adopted a new name, boom 97.3, a new format and a revised personality lineup.

RISKS, UNCERTAINTIES AND OPPORTUNITIES

The Company faces a number of risks and uncertainties which, in many cases, also represent opportunities for its businesses. Additional risks and uncertainties, not presently known to the Company, or that the Company does not currently anticipate to be material, may impair the Company’s business operations. If any such risks materialize, the Company’s business, financial condition and operating results could be adversely affected in a material way.

The Company's risks, uncertainties and opportunities have not materially changed during the last quarter. The following are updates to the risks, uncertainties and opportunities described in the MD&A included in the Company’s 2009 Annual Report.

REGULATED ENVIRONMENT

Part II Licence Fees

In October 2009, the CAB announced a settlement agreement with the Government of Canada pertaining to the regulation of Part II licence fees. Consequently, the Company reversed accrued fee expenses of $11.6 million in the first quarter of Fiscal 2010 (see “Part II Licence Fees Accrual Reversal” section).

Management constantly monitors the regulatory environment to identify risks and opportunities resulting from any changes.

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ACCOUNTING MATTERS

The Company prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP"). The Company's significant accounting policies are presented in Note 1 to the audited consolidated financial statements for the year ended August 31, 2009.

NEW ACCOUNTING POLICIES

The Company's accounting policies were unchanged in the first quarter of Fiscal 2010, with the exception of the adoption of new accounting policies on goodwill and intangible assets.

Effective September 1, 2009, the Company adopted, retroactively with restatement of prior period amounts, the following CICA recommendations:

- Section 3064*, Goodwill and Intangible Assets*, which replaced Section 3062, *Goodwill and Other Intangible Assets*, Section 3450, *Research and Development* and EIC-27, *Revenues and Expenditures during the Pre-operating Period*. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets.

Following the adoption of Section 3064, the Company reclassified the net carrying value of computer software that met the definition of intangible assets from property, plant and equipment to other intangible and non-current assets on the consolidated balance sheets. The amortization expense related to these assets was reclassified from depreciation to amortization of intangible assets on the interim consolidated statements of earnings. The Company also wrote-off start-up and business pre-operating costs and related future income tax liabilities through opening retained earnings. The prior year's net earnings for the three-month period ended November 30, 2008 was restated to recognize pre-operating costs of new services as operating expenses, to eliminate the amortization of business pre-operating costs and to reverse the future income tax expense related to such business pre-operating costs in the unaudited interim consolidated statement of earnings.

Cumulative adjustments, following the adoption of Section 3064, to the consolidated balance sheet as at August 31, 2009 and to the unaudited interim consolidated statements of earnings and cash flows for the three-month period ended November 30, 2008, are summarized in Note 1.b) to the unaudited interim consolidated financial statements for the three-month period ended November 30, 2009.

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International Financial Reporting Standards

On February 13, 2008, Canada's Accounting Standards Board ("AcSB") confirmed that the use of International Financial Reporting Standards ("IFRS") will be required for publicly accountable profit-oriented enterprises for fiscal years beginning on or after January 1, 2011. After that date, IFRS will replace Canadian GAAP for those enterprises. The Company will thus apply IFRS in Fiscal 2012 and will issue its consolidated financial statements in accordance with IFRS, including Fiscal 2011 comparative figures using the same reporting standards, starting in the first quarter of that fiscal year.

In order to prepare for the transition date on September 1, 2010 (the "Transition Date"), the Company has defined a three-phase transition plan: initial diagnostic assessment, in-depth analysis and implementation. The initial high-level diagnostic is now completed and a preliminary IFRS impact classification has been established. During this first step, IFRS implementation impacts on the Company's consolidated financial statements were assessed as high, moderate or low. In the second phase, the Company is performing a detailed analysis of IFRS. The review includes an analysis of the differences between IFRS and Astral's current accounting policies to prioritize key impact areas. In the second phase, which started during the first quarter of Fiscal 2010, the Company is also analysing all options permitted under IFRS at the transition date and on an ongoing basis, and will conclude on these. The second phase will also identify all internal procedures and systems that have to be updated in order for the Company to comply with IFRS requirements. Finally, during the third phase, the Company will implement the accounting changes and the required modifications to internal procedures, controls and systems.

IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosures. In the period leading to the changeover, AcSB will continue to issue new accounting standards that are aligned with IFRS, which will reduce the impact of adopting IFRS on the Transition Date. The International Accounting Standards Board will also continue to issue new accounting standards during the conversion period. As a result of the upcoming changes, the final impact of IFRS on the Company's consolidated financial statements can only be determined once all of the IFRS applicable at the Transition Date are known. Based on its initial analysis, the Company has identified the following list of International Accounting Standards pronouncements that differ from Canadian GAAP and that could impact the Company's consolidated financial statements. The list of items should not be seen as exhaustive and is subject to change following completion of our second phase and potential modifications to IFRS prior to adoption by the Company:

- i) First-time adoption of IFRS;
- ii) Financial statement presentation and disclosure;
- iii) Asset impairment;
- iv) Employee benefits;
- v) Share-based payments;
- vi) Property, plant and equipment;
- vii) Joint ventures;
- viii) Income taxes;
- ix) Provisions and contingencies.

The Company has secured the appropriate internal and external resources to complete the changeover plan on a timely basis. Astral will also provide sufficient training sessions to all relevant resources. During the transition, Astral will monitor ongoing changes to IFRS and adjust the transition plan accordingly. At this time, the Company is not yet able to determine and quantify the impact of adopting IFRS standards. Astral's transition status is currently on track with the implementation schedule.

Additional disclosure on the impact of the adoption of IFRS on Astral's consolidated financial statements will be provided in future MD&As.

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Management's Discussion and Analysis
for the three-month periods ended November 30, 2009 and 2008

Future Accounting Changes

The Company believes that the future adoption of the following CICA recommendations will have an impact on the Company's future financial statements:

i) Section 1582, *Business Combinations*, was issued and replaced Section 1581, *Business Combinations*. This new section establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed.

ii) Section 1601, *Consolidated Financial Statements* and Section 1602, *Non-controlling Interests*, were issued and together replace Section 1600, *Consolidated Financial Statements*. These new sections establish standards for the preparation of consolidated financial statements and for the accounting of a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination.

The Company is required to apply Sections 1582, 1601 and 1602 prospectively as of September 1, 2011. Section 1582 is the Canadian equivalent to IFRS 3, Business Combinations. Section 1602 is the Canadian equivalent to the corresponding provisions of IFRS IAS 27, Consolidated and Separate Financial Statements.

The Company is in the process of evaluating the requirements of Sections 1582, 1601 and 1602, and their potential impact on the Company's future consolidated financial statements.

INTER-COMPANY AND RELATED-PARTY TRANSACTIONS

Inter-company and related-party transactions and balances between companies and divisions owned by the Company are eliminated upon consolidation for subsidiaries and on a pro rata basis for joint ventures. There are no other significant related-party transactions to report.

ASTRAL MEDIA INC.
Management's Discussion and Analysis
for the three-month periods ended November 30, 2009 and 2008

SUPPLEMENTARY MEASURES

In addition to discussing earnings measures in accordance with GAAP, this MD&A provides the following supplementary measures which are also factors used by management in monitoring and evaluating the performance of the Company and its business segments:

EBITDA (earnings before interest, taxes, depreciation and amortization) is provided to assist investors in determining the ability of the Company to generate cash flow from operating activities and to cover financial charges. EBITDA is also an indicator widely used for business valuation purposes. EBITDA margin is defined as the ratio obtained by dividing EBITDA by revenues.

The following table reconciles GAAP measures disclosed in the unaudited interim consolidated statements of earnings for the periods ended November 30, 2009 and 2008 to EBITDA:

	November 30	
(in thousands of $)	2009	2008
		(Restated) (1)
Earnings before income taxes	82,040	58,541
Depreciation and amortization	7,584	6,396
Interest expense, net	7,189	10,518
EBITDA	96,813	75,455

Net earnings and basic earnings per share before the impact of future income tax rate changes. These measures provide an indication of the Company's ability to generate earnings and cash flows from its ongoing operations, by excluding the non-cash future income tax recovery or expense resulting from income tax rate changes over which the Company has no control.

The following tables reconcile GAAP measures disclosed in the unaudited interim consolidated statements of earnings for the periods ended November 30, 2009 and 2008 to net earnings and basic earnings per share, before the impact of future income tax rate changes.

	November 30	
(in thousands of $)	2009	2008
		(Restated) (1)
Net earnings	64,641	39,605
Future income tax recovery resulting from future income tax rate changes	(8,397)	–
Net earnings before the impact of future income tax rate changes	56,244	39,605

	November 30	
(in dollars)	2009	2008
		(Restated) (1)
Basic earnings per share	1.15	0.71
Impact of future income tax rate changes	(0.15)	–
Basic earnings per share, before the impact of future income tax rate changes	1.00	0.71

(1) Following the adoption of CICA Handbook Section 3064, the Company has restated results of operations for the three-month period ended November 30, 2008 (see "Restatement of Fiscal 2009 Figures" section).

Cash flow from operations is defined as cash flow from operating activities before the net change in non-cash operating items. This measure provides an indication of the Company's ability to generate cash flows without considering certain timing and other factors causing variations in non-cash operating items.

The following table reconciles GAAP measures disclosed in the unaudited interim consolidated statements of cash flows for the periods ended November 30, 2009 and 2008 to cash flow from operations:

	November 30	
(in thousands of $)	2009	2008
		(Restated) (1)
Cash flow from operating activities	27,073	34,488
Net change in non-cash operating items	32,534	16,234
Cash flow from operations	59,607	50,722

Cash used for investing activities, excluding net variation of short-term investments provides an indication of the Company's use of cash flows for the acquisition of long-term assets. Also, the Company does not consider the variation of short-term investments as investing activities as they can be cashed on demand to meet future financial obligations.

The following table reconciles GAAP measures disclosed in the unaudited interim consolidated statements of cash flows for the periods ended November 30, 2009 and 2008 to cash used for investing activities, excluding variation of short-term investments:

	November 30	
(in thousands of $)	2009	2008
		(Restated) (1)
Cash and cash equivalents used in investing activities	(10,575)	(3,735)
Net variation of short-term investments	–	(9,962)
Cash used in investing activities, excluding net variation of short-term investments	(10,575)	(13,697)

The above supplementary measures do not have a standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies.

(1) Following the adoption of CICA Handbook Section 3064, the Company has restated results of operations for the three-month period ended November 30, 2008 (see "Restatement of Fiscal 2009 Figures" section).

ASTRAL MEDIA INC.
Management's Discussion and Analysis
for the three-month periods ended November 30, 2009 and 2008

CONTROLS AND PROCEDURES

The President and Chief Executive Officer and the Senior Vice-President and Chief Financial Officer of the Company have designed disclosure controls and procedures to provide reasonable assurance that material information relating to the Company and its subsidiaries is made known to them and have designed internal control over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of the Company's financial reporting and its compliance with GAAP in its consolidated financial statements.

The President and Chief Executive Officer and the Senior Vice-President and Chief Financial Officer of the Company deem the design of disclosure controls and procedures and the design of ICFR to be adequate, as at November 30, 2009.

The President and Chief Executive Officer and the Senior Vice-President and Chief Financial Officer have also evaluated whether there were changes in the Company's ICFR in the quarter ended November 30, 2009, that have materially affected, or are reasonably likely to materially affect its ICFR. No such changes were identified through their evaluation.

ASTRAL MEDIA INC.

Notice of Disclosure of Non-auditor Review of Interim Financial Statements for the three months ended November 30, 2009 and 2008

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company for the interim periods ended November 30, 2009 and 2008, have been prepared in accordance with Canadian generally accepted accounting principles and are the responsibility of the Company's management.

The Company's independent auditors, Ernst & Young LLP, have not performed a review of these interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Dated this 14th day of January, 2010.

ASTRAL MEDIA INC.
Interim Consolidated Statements of Earnings
for the three months ended

(in thousands of Canadian dollars except for per-share data)
(unaudited)

	Notes	November 30 2009	November 30 2008 *(Restated – see Note 1.b))*
Revenues		$ 250,685	$ 244,483
Operating expenses		153,872	169,028
		96,813	75,455
Depreciation		6,140	5,294
Amortization of intangible assets		1,444	1,102
Interest expense, net	2	7,189	10,518
Earnings before income taxes		82,040	58,541
Income tax provision before undernoted		25,796	18,936
Future income tax recovery resulting from income tax rate changes	3	(8,397)	–
		17,399	18,936
Net earnings		$ 64,641	$ 39,605
Earnings per share	9		
- Basic		$ 1.15	$ 0.71
- Diluted		$ 1.14	$ 0.70

See accompanying notes.

ASTRAL MEDIA INC.
Interim Consolidated Statements of Cash Flows
for the three months ended
(in thousands of Canadian dollars)
(unaudited)

	Notes	November 30 2009	November 30 2008
			(Restated – see Note 1.b))
Cash and cash equivalents provided by (used for):			
OPERATING ACTIVITIES			
Net earnings		$ 64,641	$ 39,605
Non-cash charges (credits):			
Part II licence fees accrual reversal	12	(11,552)	–
Stock-based compensation costs	9, 10	2,143	1,711
Depreciation and amortization		7,584	6,396
Imputed interest on other non-current liabilities	2	559	659
Amortization of deferred financing costs		171	172
Future income tax expense before undernoted		4,458	2,179
Future income tax recovery resulting from income tax rate changes	3	(8,397)	–
		59,607	50,722
Net change in non-cash operating items	4	(32,534)	(16,234)
Cash flow from operating activities		27,073	34,488
INVESTING ACTIVITIES			
Short-term investments – cashed		–	9,962
Additions to property, plant and equipment		(9,044)	(10,206)
Additions to other intangible and non-current assets		(1,531)	(704)
Business acquisition, net of cash acquired		–	(2,787)
		(10,575)	(3,735)
FINANCING ACTIVITIES			
Repayment of long-term debt	8	(10,000)	(10,000)
Stock options exercised	9	840	80
		(9,160)	(9,920)
Net change in cash and cash equivalents		7,338	20,833
Cash and cash equivalents (bank overdraft) – beginning of period		23,100	(3,644)
Cash and cash equivalents – end of period		$ 30,438	$ 17,189

See accompanying notes and supplementary cash flow information (Note 4).

ASTRAL MEDIA INC.
Interim Consolidated Balance Sheets as at
(in thousands of Canadian dollars)
(unaudited)

	Notes	November 30, 2009	August 31, 2009 *(Restated – see Note 1.b))*
ASSETS			
Current			
Cash and cash equivalents		$ 30,438	$ 23,100
Accounts receivable		165,070	143,803
Program and film rights	7	99,026	92,545
Prepaid expenses and other current assets		29,026	27,904
		323,560	287,352
Program and film rights	7	65,088	61,219
Property, plant and equipment		153,533	151,637
Broadcast licences		1,408,037	1,408,037
Goodwill		356,945	356,945
Other intangible and non-current assets		50,594	50,894
Future income tax assets		71,295	79,522
		$ 2,429,052	$ 2,395,606
LIABILITIES			
Current			
Accounts payable and accrued liabilities		$ 114,857	$ 138,771
Income taxes payable		15,326	12,191
Program and film rights payable		66,573	58,220
Future income tax liabilities		4,318	4,481
		201,074	213,663
Long-term debt	8	682,932	692,761
Future income tax liabilities		232,124	243,353
Other non-current liabilities		65,514	65,267
Derivative financial instruments		20,032	22,377
		1,201,676	1,237,421
SHAREHOLDERS' EQUITY			
Capital stock	9	757,255	753,028
Contributed surplus	10	15,824	17,068
Retained earnings		468,835	404,198
Accumulated other comprehensive loss	11	(14,538)	(16,109)
		454,297	388,089
		1,227,376	1,158,185
		$ 2,429,052	$ 2,395,606

Contingencies (Note 12).
See accompanying notes.

ASTRAL MEDIA INC.
Interim Consolidated Statements of Retained Earnings
for the three months ended
(in thousands of Canadian dollars)
(unaudited)

	Notes	November 30 2009	November 30 2008 *(Restated – see Note 1.b))*
Retained earnings – beginning of year (November 30, 2008 – as previously reported)		$ 411,079	$ 597,188
Adjustment to the opening balance due to the adoption of an accounting policy	1	(6,881)	(2,651)
Retained earnings – beginning of year (November 30, 2008 – as restated)		404,198	594,537
Net earnings (November 30, 2008 – as previously reported)		64,641	42,362
Net impact of the adoption of an accounting policy	1	–	(2,757)
Net earnings (November 30, 2008 – as restated)		64,641	39,605
Dividends		(4)	(4)
Retained earnings – end of period (November 30, 2008 – as restated)		$ 468,835	$ 634,138

See accompanying notes.

Interim Consolidated Statements of Comprehensive Income
for the three months ended
(in thousands of Canadian dollars)
(unaudited)

	Notes	November 30 2009	November 30 2008 *(Restated – see Note 1.b))*
Net earnings		$ 64,641	$ 39,605
Other comprehensive income (loss)			
Change in fair value of derivatives designated as cash flow hedges (net of income tax (recovery) of $0.8 million and ($3.3 million), respectively)	11	1,571	(8,508)
Comprehensive income		$ 66,212	$ 31,097

See accompanying notes.

ASTRAL MEDIA INC.
Notes to Interim Consolidated Financial Statements
for the three months ended November 30, 2009 and 2008
(unaudited)

Astral Media Inc. ("Astral" or the "Company") is incorporated under the Canada Business Corporations Act and its shares are traded on the Toronto Stock Exchange. Its activities consist primarily of specialty, pay and pay-per-view television broadcasting, radio broadcasting and outdoor advertising.

1. ACCOUNTING POLICIES

a) Basis of Presentation

These unaudited interim consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles ("GAAP") with the exception that they do not include all of the disclosures that are required for annual financial statements. They should be read in conjunction with the audited consolidated financial statements and related notes and the Management's Discussion and Analysis ("MD&A") contained in the Company's 2009 Annual Report as well as the MD&A for the three-month periods ended November 30, 2009 and 2008. The accounting policies are consistent with those used in preparing the audited consolidated financial statements for the year ended August 31, 2009, with the exception of the changes described below. All amounts are expressed in Canadian dollars.

Certain comparative figures have been reclassified to conform with the basis of presentation adopted in Fiscal 2010.

b) Accounting Changes

Effective September 1, 2009, the Company adopted, retroactively with restatement of prior period amounts, the following Canadian Institute of Chartered Accountants' ("CICA") recommendations:

> Section 3064, *Goodwill and Intangible Assets*, which replaced Section 3062, *Goodwill and Other Intangible Assets*, Section 3450, *Research and Development* and EIC-27, *Revenues and Expenditures during the Pre-operating Period*. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets.

Following the adoption of Section 3064, the Company reclassified the net carrying value of computer software that met the definition of intangible assets from property, plant and equipment to other intangible and non-current assets on the consolidated balance sheets. The amortization expense related to these assets was reclassified from depreciation to amortization of intangible assets on the interim consolidated statements of earnings. The Company also wrote-off start-up and business pre-operating costs and related future income tax liabilities through opening retained earnings. The prior year's net earnings for the three-month period ended November 30, 2008 was restated to recognize business pre-operating costs of new services as operating expenses, to eliminate the amortization of business pre-operating costs and to reverse the future income tax expense related to such business pre-operating costs in the interim consolidated statement of earnings.

Cumulative adjustments, following the adoption of Section 3064, to the consolidated balance sheet as at August 31, 2009 and to the interim consolidated statements of earnings and cash flows for the three months ended November 30, 2008, are summarized as follows:

Balance Sheet *(in thousands)*		August 31, 2009
		increase / (decrease)
Prepaid expenses and other current assets	$	(369)
Property, plant and equipment		(7,323)
Other intangible and non-current assets		(1,934)
	$	(9,626)
Future income tax liabilities	$	(2,745)
Retained earnings		(6,881)
	$	(9,626)

ASTRAL MEDIA INC.
Notes to Interim Consolidated Financial Statements
for the three months ended November 30, 2009 and 2008
(unaudited)

Statement of Earnings *(in thousands except for per-share data)*		Three months ended November 30, 2008
		increase / (decrease)
Operating expenses	$	4,010
Depreciation		(847)
Amortization of intangible assets		688
		(3,851)
Income tax provision		(1,094)
Net earnings	$	(2,757)
Earnings per share		
- Basic	$	(0.05)
- Diluted	$	(0.05)

Statement of Cash Flows *(in thousands)*		Three months ended November 30, 2008
		increase / (decrease)
Operating activities		
Net earnings	$	(2,757)
Depreciation and amortization		(159)
Future income tax expense		(1,094)
		(4,010)
Investing activities		
Additions to property, plant and equipment		690
Additions to other intangible and non-current assets		3,320
		4,010
Net change in cash and cash equivalents	$	–

Following the adoption of Section 3064, the opening consolidated retained earnings balance as at September 1, 2008 was reduced by $2.7 million.

c) Future Accounting Changes

The Company believes that the future adoption of the following CICA recommendations will have an impact on the Company's future financial statements:

i) Section 1582, *Business Combinations*, was issued and replaced Section 1581, *Business Combinations*. This new section establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed.

ii) Section 1601, *Consolidated Financial Statements* and Section 1602, *Non-controlling Interests*, were issued and together replace Section 1600, *Consolidated Financial Statements*. These new sections establish standards for the preparation of consolidated financial statements and for the accounting of a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination.

ASTRAL MEDIA INC.
Notes to Interim Consolidated Financial Statements
for the three months ended November 30, 2009 and 2008
(unaudited)

The Company is required to apply Sections 1582, 1601 and 1602 prospectively as of September 1, 2011. Section 1582 is the Canadian equivalent to International Financial Reporting Standard IFRS 3, *Business Combinations*. Section 1602 is the Canadian equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27, *Consolidated and Separate Financial Statements*.

The Company is in the process of evaluating the requirements of Sections 1582, 1601 and 1602, and their potential impact on the Company's future consolidated financial statements.

2. Interest and Financial Expenses

(in thousands)		2009		2008
Interest expense on long-term debt	$	1,683	$	7,509
Interest expense related to swap agreement, net		4,733		2,312
Imputed interest on other non-current liabilities		559		659
Other interest expense and financing costs, net		214		38
	$	7,189	$	10,518

3. Income Tax Provision

On November 16, 2009, the Ontario government substantively enacted a progressive decrease to its general corporate income tax rate from 14.0% to 10.0%, to be phased-in between July 1, 2010 and July 1, 2013. Upon each enacted rate change, over which the Company has no control, the Company is required to re-measure its future income tax assets and liabilities using the newly substantively enacted corporate income tax rates, taking into account the rates anticipated to be in effect when the respective future income tax assets are realized or liabilities are settled. For the three months ended November 30, 2009, this resulted in a non-cash future income tax recovery of $8.4 million ($0.15 per share) recorded in the interim consolidated statement of earnings.

4. Consolidated Statements of Cash Flows

a) Net Change in Non-cash Operating Items

(in thousands)		2009		2008
				(Restated – see Note 1.b))
Increase in accounts receivable and other assets	$	(22,002)	$	(21,355)
Increase in program and film rights		(10,350)		(5,383)
Decrease in accounts payable and accrued liabilities, and income taxes payable		(12,074)		(6,694)
Increase in program and film rights payable		11,892		17,198
	$	(32,534)	$	(16,234)

ASTRAL MEDIA INC.
Notes to Interim Consolidated Financial Statements
for the three months ended November 30, 2009 and 2008
(unaudited)

b) Interest Paid, Received and Income Taxes Paid

(in thousands)	2009	2008
Interest paid	$ (6,529)	$ (9,940)
Interest received	$ 70	$ 253
Income taxes paid	$ (21,348)	$ (15,625)

c) Non-cash Transactions

The interim consolidated statement of cash flows for the three months ended November 30, 2009 excludes additions to property, plant and equipment of $1.3 million that were unpaid as at that date (excludes additions of $1.1 million for the three months ended November 30, 2008) and includes additions to property, plant and equipment of $2.3 million that were unpaid as at August 31, 2009 (includes additions of $3.4 million that were unpaid as at August 31, 2008 for the three months ended November 30, 2008).

5. EMPLOYEE FUTURE BENEFITS

The Company has two voluntary defined benefit pension plans (the “Plan”) which are no longer available to new employees and a Supplementary Executive Retirement Plan (the "SERP") to provide supplemental pension benefits to certain key executives. The Company also has a non-pension post-retirement benefit plan which provides health benefits and dental care to certain employees who were hired before January 1, 2002.

Elements included in the expense related to the Plan and SERP for the three months ended November 30 are as follows:

	2009		2008	
(in thousands)	Plan	SERP	Plan	SERP
Current service cost	$ 1,838	$ 120	$ 1,723	$ 113
Interest cost	1,072	166	990	159
Expected return on plan assets	(1,089)	–	(986)	–
Amortization of past service costs	–	16	–	16
Amortization of net actuarial loss	53	–	15	–
Net benefit plan expense	$ 1,874	$ 302	$ 1,742	$ 288

For the three months ended November 30, 2009, the expense related to the Company’s non-pension post-retirement benefit plan is $0.1 million and is included in operating expenses on the interim consolidated statement of earnings ($0.2 million for the three months ended November 30, 2008).

Defined contribution components of the Plan are also available to all employees hired on or after December 1, 2005. For the three months ended November 30, 2009, the contribution amounts paid by the Company for services rendered by the employees during the period under the defined contribution components of the Plan are $0.5 million and are included in operating expenses on the interim consolidated statement of earnings ($0.4 million for the three months ended November 30, 2008).

ASTRAL MEDIA INC.
Notes to Interim Consolidated Financial Statements
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(unaudited)

6. BUSINESS SEGMENTS

The Company's business segments are Television, Radio and Outdoor Advertising. The Television segment comprises the Company's specialty, pay and pay-per-view television services. Its revenues are derived from subscription fees, advertising sales and pay-per-view sales. The Radio segment comprises the Company's FM and AM radio stations and its revenues are derived from advertising sales. The Outdoor Advertising segment comprises activities related to posting advertising on the Company's inventory of panels and street furniture equipment, and its revenues are derived from the sale of such advertising. Advertising revenues in each of the three business segments tend to follow seasonal patterns. All activities are conducted in Canada.

	For the three months ended November 30, 2009			
(in thousands of $)	Television	Radio	Outdoor Advertising	Consolidated
Revenues	141,227	89,165	20,293	250,685
Earnings before undernoted items	56,608	39,536	7,779	103,923
Depreciation and amortization	(2,398)	(2,907)	(2,055)	(7,360)
Earnings before unallocated items	54,210	36,629	5,724	96,563
Interest expense, net				(7,189)
Corporate costs (including depreciation and amortization of $224)				(7,334)
Income tax provision				(17,399)
Net earnings				64,641
Identifiable assets at period end (excluding Corporate assets of $43,913)	815,864	1,067,479	144,851	2,028,194
Additions to property, plant and equipment (excluding Corporate additions of $294)	792	423	6,527	7,742
Additions to intangible assets (excluding Corporate additions of $65)	113	350	1,003	1,466

ASTRAL MEDIA INC.
Notes to Interim Consolidated Financial Statements
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	For the three months ended November 30, 2008			*(Restated – see Note 1.b))*
(in thousands of $)	Television	Radio	Outdoor Advertising	Consolidated
Revenues	133,439	89,858	21,186	244,483
Earnings before undernoted items	43,908	30,656	7,816	82,380
Depreciation and amortization	(2,161)	(2,453)	(1,598)	(6,212)
Earnings before unallocated items	41,747	28,203	6,218	76,168
Interest expense, net				(10,518)
Corporate costs (including depreciation and amortization of $184)				(7,109)
Income tax provision				(18,936)
Net earnings				39,605
Identifiable assets at period end (excluding Corporate assets of $41,254)	812,313	1,417,931	125,472	2,355,716
Additions to property, plant and equipment (excluding Corporate additions of $42)	2,241	1,391	4,272	7,904
Additions to intangible assets (excluding Corporate additions of $277)	39	290	98	427

7. PROGRAM AND FILM RIGHTS

(in thousands)	November 30, 2009	August 31, 2009
Program and film rights – current	$ 99,026	$ 92,545
Program and film rights	48,815	43,121
Investments in programs and films	16,273	18,098
	65,088	61,219
Program and film rights	$ 164,114	$ 153,764

For the three months ended November 30, 2009, the expense for program and film rights recorded in operating expenses on the interim consolidated statement of earnings amounted to $50.0 million ($48.1 million for the three months ended November 30, 2008) including $2.1 million for the write-down of investments in programs and films ($2.2 million for the three months ended November 30, 2008).

ASTRAL MEDIA INC.
Notes to Interim Consolidated Financial Statements
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(unaudited)

8. Credit Facilities

The components of the Company's long-term debt are as follows:

(in thousands)		November 30, 2009		August 31, 2009
One-month bankers' acceptances	$	684,400	$	694,600
Canadian prime-rate loans		600		400
Deferred financing costs		(2,068)		(2,239)
Long-term debt	$	682,932	$	692,761

On October 29, 2007, the Company established a $1.0 billion credit facility (the "Facility") with a syndicate of financial institutions, which has been reduced to $860.0 million as at November 30, 2009 following repayments. The Facility has a five-year term which started on October 29, 2007 and borrowings under the Facility can be in the form of bankers' acceptances, Canadian prime-rate loans, US base-rate loans or LIBOR loans, and bear interest accordingly, plus a premium based on certain financial ratios.

Borrowings under the Company's Facility are subject to interest rate fluctuations. To manage the volatility relating to this exposure, the Company is party to derivative financial instruments. The Company does not use derivative financial instruments for trading or speculative purposes. On October 29, 2007, the Company entered into an interest-rate swap agreement with a large Canadian bank to hedge its exposure to interest rate fluctuations (the "Agreement"). The Agreement is based on an initial nominal debt amount of $750.0 million which is being reduced periodically ($424.6 million as at November 30, 2009), based on a predetermined schedule, until its maturity on May 29, 2012. Under the Agreement, the Company pays interest based on a fixed interest rate of 4.6% and receives interest based on floating 30-day bankers' acceptances rates. The Company elected to apply cash flow hedge accounting on this derivative financial instrument.

As at November 30, 2009, total borrowings under the Facility amounted to $685.0 million ($695.0 million as at August 31, 2009), excluding $19.3 million of outstanding letters of credit ($19.3 million as at August 31, 2009), and bear a weighted-average interest rate of 3.6% (3.8% as at August 31, 2009), after reflecting the effect of the interest-rate swap agreement. The Company fully guarantees the Facility on an unsecured basis and also has a prepayment option without penalty that can be exercised at any time during the term of the Facility. Under the terms of the Facility, the Company has no repayment obligation before October 29, 2012.

Under the terms of the Facility, the Company has certain financial ratios to comply with. The Company has been in compliance with these financial ratios and all other covenants since the establishment of the Facility.

ASTRAL MEDIA INC.
Notes to Interim Consolidated Financial Statements
for the three months ended November 30, 2009 and 2008
(unaudited)

9. CAPITAL STOCK

a) Issued and Outstanding Capital Stock

The following table summarizes the changes in the Company's capital stock comprising its Class A non-voting shares ("Class A shares"), Class B subordinate voting shares ("Class B shares") and Special shares ("Special shares"):

	Three months ended November 30, 2009		Year ended August 31, 2009	
(in thousands except for number of shares)	Number of shares outstanding	Carrying value of shares	Number of shares outstanding	Carrying value of shares
Class A shares:				
Beginning of year	53,388,843	$ 749,980	53,200,874	$ 745,070
Conversion of Class B shares	–	–	3,000	3
Stock options exercised (Notes 9.d) and 10)	33,054	910	79,469	1,671
Conversion of restricted share units (Notes 9.d) and 10)	105,800	3,317	105,500	3,236
End of period	53,527,697	754,207	53,388,843	749,980
Class B shares:				
Beginning of year	2,784,672	2,723	2,787,672	2,726
Conversion to Class A shares	–	–	(3,000)	(3)
End of period	2,784,672	2,723	2,784,672	2,723
Special shares	65,000	325	65,000	325
		$ 757,255		$ 753,028

b) Earnings per Share

The following is a reconciliation of the numerator and denominators used for the computation of basic and diluted earnings per share:

(in thousands)	2009	2008
		(Restated – see Note 1.b))
Net earnings (numerator)	$ 64,641	$ 39,605
Weighted average number of shares outstanding (denominators):		
Weighted average number of shares outstanding – basic	56,212	56,010
Effect of dilutive securities	654	462
Weighted average number of shares outstanding – diluted	56,866	56,472

For the three months ended November 30, 2009, 385,267 stock options were excluded from the computation of diluted earnings per share due to their anti-dilutive effect (714,384 stock options were excluded for the three months ended November 30, 2008).

c) Stock-based Compensation Costs

During the second quarter of Fiscal 2009, the Company granted 371,892 options to key employees to purchase Class A shares of the Company. The fair value of options granted was determined using the Black-Scholes option pricing model and the following assumptions:

	Fiscal 2009 Grant
Assumptions:	
Risk-free interest rate	2.15%
Expected volatility in the market price of the shares	24.60%
Expected dividend yield	2.38%
Expected life	4.5 years
Fair value per option:	$3.66

During the first quarter of Fiscal 2010, the Company extended, from five to seven years, the term of the 589,330 outstanding Class A stock options granted between December 13, 2004 and December 12, 2008 to non-insider employees. The extension of the term of these options increased the fair value of such options by a range of $0.26 to $4.05 per option resulting, for the three months ended November 30, 2009, in an additional stock-based compensation expense of $0.6 million.

During the second quarter of Fiscal 2009, the Company also granted 79,500 restricted share units ("RSUs") to key employees. The fair value of the RSUs granted is $20.75 per unit which is equal to the market price of a Class A share of the Company at the time of the grant.

The compensation costs related to stock options and RSUs granted to employees are recorded in operating expenses on the interim consolidated statements of earnings, over their expected vesting period for stock options, and over a three-year vesting period for RSUs. Such compensation costs are credited to contributed surplus on the interim consolidated balance sheets. For the three months ended November 30, 2009, stock-based compensation costs amounted to $2.1 million (see Note 10) ($1.7 million for the three months ended November 30, 2008).

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d) Stock Option Plan and Restricted Share Unit Plan

The following table summarizes the changes in the Company's employee stock option plan:

	Three months ended November 30, 2009	Year ended August 31, 2009
Number of options:		
Outstanding – beginning of year	3,154,763	3,104,096
Granted	–	371,892
Exercised	(33,054)	(79,469)
Cancelled	(11,134)	(23,917)
Expired	(2,030)	(217,839)
Outstanding – end of period	3,108,545	3,154,763
Exercisable – end of period	2,384,287	2,217,730

The following table summarizes the changes in the Company's restricted share unit plan:

	Three months ended November 30, 2009	Year ended August 31, 2009
Number of units :		
Outstanding – beginning of year	303,800	329,800
Granted	–	79,500
Converted to Class A shares	(105,800)	(105,500)
Outstanding – end of period	198,000	303,800

e) Normal Course Issuer Bid

On December 9, 2008, the Company announced a renewal of its normal course issuer bid to repurchase for cancellation up to 2,665,620 Class A shares and 139,234 Class B shares, both quantities representing no more than 5% of the outstanding shares as at November 30, 2008 for their respective class of shares. The share repurchase program was conducted over a maximum period of 12 months which ended on December 14, 2009. During the term of this renewed bid, the Company repurchased 27,200 Class A shares in December 2009.

For the three months ended November 30, 2009 and 2008, the Company did not repurchase any Class A or Class B shares.

On December 9, 2009, the Company announced a further renewal of its normal course issuer bid. Under the terms of this renewal, the Company is authorized to repurchase for cancellation up to 1,338,192 Class A shares and 69,616 Class B shares, both quantities representing 2.5% of the outstanding shares as at November 30, 2009 for their respective class of shares. The share repurchase program will be conducted over a maximum period of 12 months which began on December 15, 2009.

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10. CONTRIBUTED SURPLUS

The following table summarizes the changes in the Company's contributed surplus:

(in thousands)	Three months ended November 30, 2009	Year ended August 31, 2009
Beginning of year	$ 17,068	$ 14,409
Stock-based compensation costs (note 9.c))	2,143	5,912
Stock options exercised	(70)	(17)
Restricted share units converted to Class A shares (Note 9.a))	(3,317)	(3,236)
End of period	$ 15,824	$ 17,068

11. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table summarizes the changes in the Company's accumulated other comprehensive loss:

(in thousands)	Three months ended November 30, 2009	Year ended August 31, 2009
Beginning of year	$ (16,109)	$ (13,001)
Other comprehensive income (loss) for the period (net of income tax (recovery) of $0.8 million and ($1.2 million) respectively)	1,571	(3,108)
End of period	$ (14,538)	$ (16,109)

12. CONTINGENCIES

The Canadian Association of Broadcasters (the "CAB"), on behalf of its members, challenged in Court the validity of the Part II licence fees payable annually to the Canadian Radio-television and Telecommunications Commission (the "CRTC") by television and radio broadcasters, as well as broadcast distribution undertakings. In December 2006, the Federal Court ruled that the Part II licence fees were an illegal tax. The Federal Government appealed the Federal Court judgment, and on April 28, 2008, the Appeal Court ruled that the Federal Court mischaracterized the legal test to be applied to distinguish a tax from a regulatory charge and that the fees represented, in fact, administrative costs incurred by the CRTC. On June 27, 2008, the CAB, on behalf of its members, filed an application for leave to appeal the Appeal Court decision to the Supreme Court of Canada (the "SCC"), which application was granted on December 18, 2008. The CRTC confirmed to the CAB that it would not attempt to collect outstanding Part II fees until the earlier of (i) the Appeal Court decision is affirmed by the SCC; or (ii) the matter is settled between the parties. The Company has been paying or accruing, as the case may be, the Part II licence fees using known rates since the beginning of legal proceedings.

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In October 2009, the CAB announced that its Board of Directors, along with other fee-paying stakeholders, approved the terms of a settlement agreement with the Government of Canada pertaining to the Part II licence fees issue. The agreement has resulted in the CAB and other named parties discontinuing the legal challenge before the SCC. The agreement provides that fees and interest due to the Government, but not collected by the CRTC due to ongoing litigation issues for the fiscal years 2007, 2008 and 2009, will be waived and that there will not be any recovery of the amounts paid by the stakeholders to the Government for any prior year. Going forward, the Government will be recommending that the CRTC revise the Part II licence fee regime to cap the fees. The revised fee regime is effective for the fiscal year beginning September 1, 2009.

In the first quarter of Fiscal 2010, the Part II licence fees accrued as at August 31, 2009, amounting to $11.6 million ($8.0 million, net of income taxes, or $0.14 per share), were reversed through operating expenses on the Company's interim consolidated statement of earnings following the settlement.

Furthermore, the purchase price of a prior year's business acquisition is subject to a contingent consideration, the amount of which is based on the impact on future earnings of the final resolution of matters pertaining to the Part II licence fees settlement agreement. The Company will therefore be required to pay an additional cash consideration estimated to be less than $10.0 million. The additional consideration will be accounted for as an increase of goodwill in the period in which the payment occurs.

CORPORATE INFORMATION

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